



CITY OF BURBANK

275 EAST OLIVE AVENUE • P.O. Box 6459 • Burbank, California • 91510
www.burbankusa.com

CITY MANAGER'S BUDGET MESSAGE

To the Honorable Mayor and Members of the City Council,

On behalf of City Staff, it is my privilege to present to the residents of the City of Burbank the adopted, balanced budget for Fiscal Year (FY) 2011-2012. Each year, the City's budget represents a series of challenges and difficult decisions required to adequately fund the excellent level of services and programs the residents of this City have grown accustomed to. This year was no exception. Following numerous public meetings, the City Council approved this budget, which will fund public safety, transportation, library, parks and open space, development services and capital projects, as well as many other municipal programs and services.

While there is much to celebrate about 2011, the City's Centennial year, Burbank has not been immune to the economic challenges facing the nation over the past couple of years. After several years of stable financial growth and prosperity, the City of Burbank experienced two consecutive years of negative growth (FY 2009-10 and FY 2010-11) as a result of the economic recession. While Burbank's revenues have begun to rebound, the cost to provide employee pension benefits has increased at a rate that vastly outpaces any growth in revenues. The combination of these factors led to a projected recurring General Fund deficit of \$8.7 million for FY 2011-12. During the last several months, the City Council alongside City staff has worked to produce a FY 2011-12 Adopted Budget which reduces this budget gap while maintaining the highest level of City services possible.



The FY 2011-12 budget totals \$737.5 million for all funds with the General Fund appropriations totaling \$152.6 million. The chart on the next page illustrates the source of funds and appropriations for each fund or fund type for the FY 2011-12 Budget.

| FUND/FUND GROUP | ESTIMATED RESOURCES | ADOPTED APPROPRIATIONS |
|--|--------------------------------|-----------------------------------|
| General Fund | \$ 152,640,081 | \$ 152,640,081 |
| Special Revenue Funds (incl. Cap. Projects Fund) | 48,505,715 | 46,170,349 |
| Internal Services Funds | 36,776,952 | 36,485,705 |
| Water Reclamation & Sewer | 17,297,171 | 17,297,171 |
| Golf Fund | 2,584,257 | 2,584,257 |
| Water and Electric (BWP) | 380,844,689 | 380,844,689 |
| Refuse Collection and Disposal | 16,443,046 | 16,355,419 |
| Redevelopment Agency | 76,884,890 | 68,005,004 |
| Public Financing Authority | 6,515,681 | 6,515,681 |
| Housing Authority | 9,877,658 | 9,877,658 |
| Parking Authority | 918,689 | 918,689 |
| TOTAL ALL FUNDS | \$ 749,288,829 | \$ 737,694,703 |

BUDGET DEVELOPMENT PROCESS

As a result of the projected deficit for FY 2011-12, General Fund budget parameters for this year included reductions of five percent of discretionary expenditures for the third consecutive year. While reductions of this magnitude were not feasible for every department across the board, the majority of City departments met or exceeded their five percent target goal. Other budget parameters set forth by the City Manager's Office included the following:

New Positions/Upgrades:

No new positions or upgrades were accepted unless revenue offset, State or federally mandated or required to prevent serious detrimental impacts on City operations or public safety. New positions approved for the Adopted FY 2011-12 Budget include three Police positions related to their current reorganization plan and a Director of Volunteer Services for the Animal Shelter.

Materials, Supplies & Services (M S & S):

There were no allowable increases in M S & S for FY 2011-12. Any exceptions must be beyond the Departments' control. A total of \$483,248 in M S & S increases was approved by the Council, \$125,000 of which is revenue offset.

Capital Outlay:

There are no new General Fund capital outlay items included in the FY 2011-12 Adopted Budget.

Despite the efforts mentioned above, the General Fund is still expected to have a recurring deficit of (\$2,666,290) at the end of FY 2011-12. As a result, the City Council elected to utilize one-time funds to bridge this gap while staff continues to implement the aforementioned five-year plan to bring the overall recurring budget back into balance. Fortunately, the City Council had a variety of non-recurring resources available, including the repayment of two loans to the General Fund from the BWP Water Fund (\$9 million) and the Redevelopment Agency (\$10.5 million), as well as an \$888,510 balance in the Budget Stabilization Fund. The Budget Stabilization Fund is a separate set-aside from our formal reserves, which was established by the City Council to address

structural deficit problems and provide a safety valve to help mitigate future budget reduction decisions facing the City.

Overall, over \$8 million in one-time funds were utilized for General Fund purposes in FY 2011-12, including \$5.3 million in adopted non-recurring appropriations and the use of nearly \$2.7 million to balance the recurring deficit. Of the remaining loan repayment funds, approximately \$3.1 million was contributed to the Budget Stabilization Fund, bringing the total balance of this set-aside up to \$4 million in order to address projected structural deficits in future fiscal years. The remaining funds were redirected to General Fund Balance and will be available for future one-time appropriations as directed by the City Council.

GENERAL FUND REVENUE

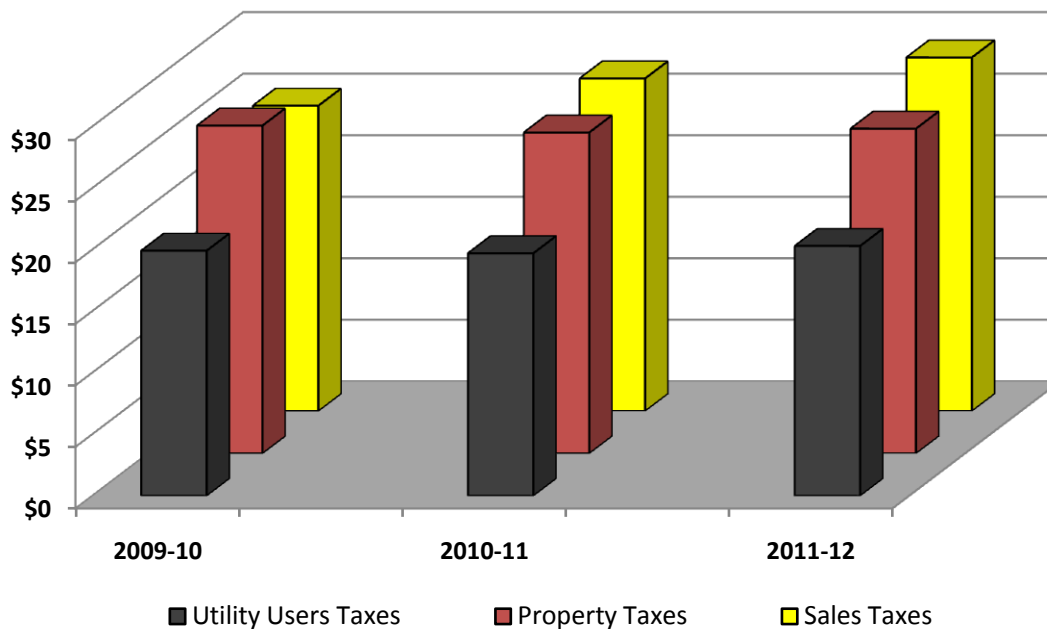
General Fund revenues are estimated at approximately 143.3 million for FY 2011-12, representing a 1.7 percent increase over the revised FY 2010-11 forecast. Increases in several revenues including sales tax, property tax, utility users tax, services charges, and in lieu tax, offset decreases in other areas; especially intra-city service charges, interest/use of money, and parking and traffic fines. Sales tax, property tax, and the utility users' tax continue to be the largest revenue sources, representing 53% of the General Fund's recurring revenue.

Sales tax combined with the triple flip in lieu are the City's largest revenue source. After two years of disappointing returns, sales tax has rebounded during FY 2010-11. Sales tax revenue for the first two quarters of the current fiscal year increased about 7% over the prior year's quarter after taking into consideration one-time adjustments. Sales tax allocations for the fourth quarter calendar year 2010 increased 5.6% from prior year after considering one-time adjustments. The current forecast assumes that the economic recovery will continue into the next fiscal year. As such, we expect FY 2011-12 total sales tax to increase 6.3% compared to the FY 2010-11 revised forecast.

After several years of growth, property taxes declined 1% in FY 2009-10. Home prices peaked in the middle of 2006. Due to the downturn in the economy and tight credit markets, median sale prices have decreased more than 20% from the peak. The local real estate market appears to be stabilizing. Median prices increased 4% in 2010 compared to 2009. Provisions contained in Proposition 13 have, over the years, created a buffer between current market value and assessed value (AV) as determined by the Los Angeles County Assessor. As a result, during times of increasing real estate markets property tax rises at a slower rate. This also holds true in reverse, during declining real estate markets. Burbank still has a large number of pre-Prop 13 base value properties as well as numerous homes that have not changed title in over five years. Year over year adjustments to AV for properties not sold are linked to inflation. The California consumer price index has gone up, increasing AV in 2011 0.75%, contributing to a 1.4% increase in property tax revenue projected for FY 2011-12.

Overall, FY 2011-12 Utility Users Tax (UUT) revenue is estimated to increase 3% due to the economic recovery as well as continued increases in wireless communication. This will be partially offset by the continued decline in traditional land line phone usage. Measure U was passed by voters in April 2011. This ballot measure put in place modern telecommunications definitions and removed ambiguities as to whether certain services are subject to UUT, with no change in the tax rate.

The chart below highlights the top three revenue sources for General Fund dollars: Sales Tax, Property Tax and Utility Users Tax.



In addition to the top three General Fund revenue sources, other categories warrant comment because of changes projected for FY 2011-12. Service charges have stabilized and started increasing this fiscal year along with the economic recovery. Several fee increases to cover costs will slightly increase gross revenue. As a result, service charges are expected to increase 5.5% in FY 2011-12 as compared to the current year projection. Proposition 26 enacted in November 2010 puts in place additional restrictions for increases to fees. Staff will monitor each proposed new fee or increase to ensure the proposals are compliant with the provisions contained in Prop 26.

Historically low rates of return and a decreased cash balance have lowered the interest/use of money projection. A 1.5% rate of return is assumed during FY 2011-12. Also included in this category is the estimated benefit to the City derived from prepaying pension contributions to CalPERS. Because of changes in CalPERS' assumptions and calculations, it appears that in FY 2011-12 the City will not earn an immediate financial benefit by prepaying PERS contributions. The elimination of the prepayment benefit has magnified the decrease in this revenue stream.

Franchise fees in Burbank include 5% on cable television (Charter and AT&T Uverse) and 1% on natural gas. Much of the forecasted increase in FY 2011-12 results from the recently implemented Public Education and Government Access (PEG) Fee (1%) charged to customers of cable television. Although the PEG Fee is recorded to the General Fund, according to state law it must be used to support the costs of PEG channel facilities.

GENERAL FUND APPROPRIATIONS

This year's adopted City of Burbank recurring appropriations amount is \$147.3 million. General Fund appropriations are mainly driven by labor costs. In fact, approximately 81 percent of this year's General Fund budget is related to negotiated salaries and benefits.

Memorandum of Understanding (MOU) Projected Costs and Expected Concessions:

The memorandum of understanding (MOU) negotiation process for the City's bargaining groups plays a significant role in determining our ability to close the budget deficits for FY 2011-12 and beyond. Taking a leading role in helping to close the gap, the Executives and non-represented managers have agreed to suspend their merit pay and contribute two percent and one percent respectively (from a total of eight percent) towards their Employer Paid Member Contribution (EPMC) amount. Similar adjustments are in the negotiation phase for all other employee bargaining groups, which, if successful, will net a total savings of \$1,027,722 for merit pay and 815,044 for EPMC for FY 11-12. The five-year forecast assumes progressively increasing EPMC contributions from all groups over the next three years of 2%/1%/1% for Executives and 1%/1%/2% for all other employees. Additionally, the forecast includes no citywide salary range increases past FY 11-12 until FY 14-15. The City continues to work to maintain fiscal sustainability as it relates to salary and benefit costs.

Public Employees Retirement System (PERS) Costs:

Over the past couple of years, public pension plans have garnered an increased amount of attention from politicians and members of the public due to their significant cost impacts on State and local budgets. Despite the implementation of several recent rate smoothing plans, most cities still expected to see an increase in CalPERS rates in FY 2011-12 due to the double digit investment losses experienced by CalPERS during the year ending June 30, 2009. These predictions have indeed held true for Burbank, with pension rates increasing by over six percent for FY 2011-12, nearly double the increase that was originally forecasted by CalPERS. This equates to a \$7 million dollar impact to the City's General Fund as compared to the FY 2010-11 Budget, and is the main driver of expenditure increases for FY 2011-12.

As a means of mitigating the impact of these significant pension rate increases, the City Council approved the use of \$5 million of available one-time General Fund dollars to pay down a portion of the City's unfunded CalPERS pension liability, with the other funds contributing a proportionate share based on citywide payroll for a total of \$9,036,292. The lump sum payment was applied toward the Miscellaneous (non-safety) Plan, as it provided the greatest immediate amount of annual recurring savings for the City. The payment resulted in a reduction in the FY 2011-12 PERS rates for Miscellaneous employees from \$16.638% to 15.778% for an annual General Fund savings of \$371,100 (\$670,674 citywide).

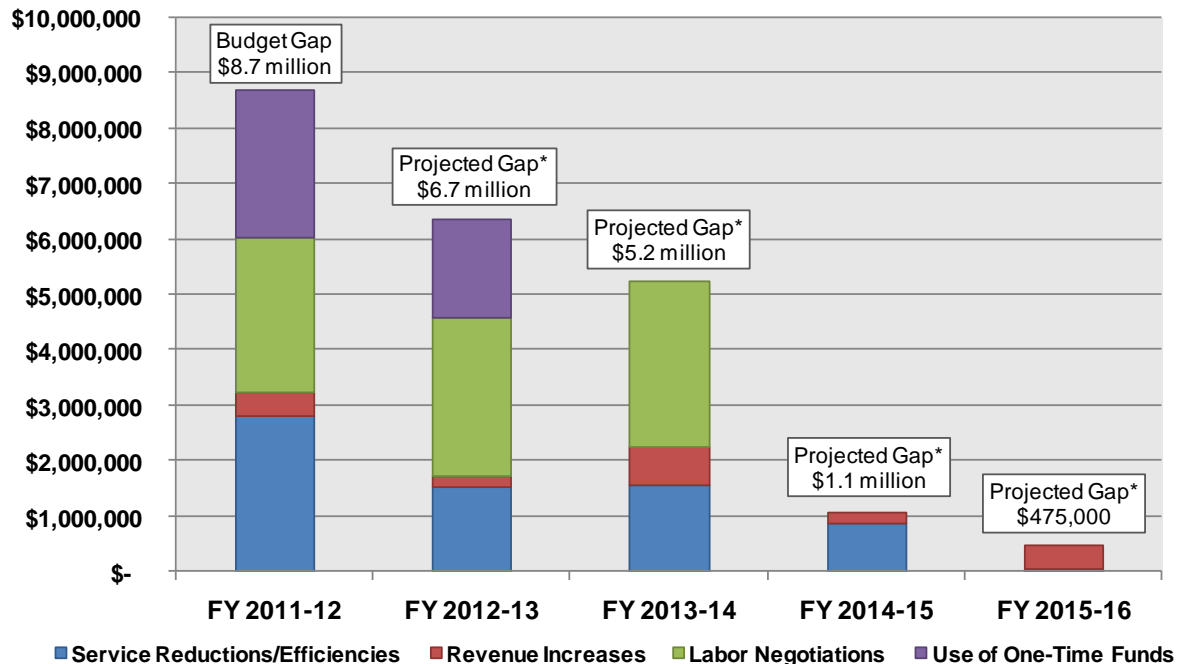
Below are the actual PERS rates for the three employee classifications for FY 2010-11 and FY 2011-12 and the projected PERS rates for the following two fiscal years, FY 2012-13 and FY 2013-14. While projections for the latter years do not forecast as steep an increase in rates as in FY 2011-12, these numbers could potentially increase should CalPERS elect to make additional changes to their basic assumptions or if investment returns do not meet expectations. It should be further noted that the rates below represent the employer portion of the CalPERS rates. In addition to the noted rates, the City of Burbank currently pays the employee portion of the CalPERS contributions for all bargaining groups except the International Brotherhood of Electrical Workers (IBEW). This amounts to an additional 8% in cost for non-IBEW miscellaneous employees, (except for executives and unrepresented managers as mentioned above) and 9% for safety, which includes Fire and Police.

| | Actual FY <u>2010-11</u> | Actual FY <u>2011-12</u> | Projected <u>FY 2012-13</u> | Projected <u>FY 2013-14</u> |
|-------------------------|-----------------------------|-----------------------------|--------------------------------|--------------------------------|
| Police 3% @ 50 | 21.640% | 28.214% | 30.3% | 35.7% |
| Fire 3% @ 55 | 13.370% | 19.313% | 21.6% | 27.4% |
| Miscellaneous 2.5% @ 55 | 10.493% | 15.778% | 17.9% | 20.2% |

GENERAL FUND FIVE-YEAR FORECAST

At the beginning of the budget development process, the City's General Fund Five-Year Forecast predicted a recurring deficit of \$8.7 million for FY 2011-12, growing to nearly \$17.2 million by the fifth year (FY 2015-16). In response to this issue, staff worked with the City Council throughout the budget process to develop a long-term strategy to address the City's structural deficit utilizing a multi-pronged approach that would mitigate the impact to the Burbank community. The General Fund Five-Year Budget Balancing Plan incorporates business process efficiencies, service reductions, revenue enhancements, labor negotiations and the use of one-time funds to bridge the economic gap and resolve the City's recurring deficit over the next five years. The elements of this Budget Balancing Plan are illustrated in the chart below.

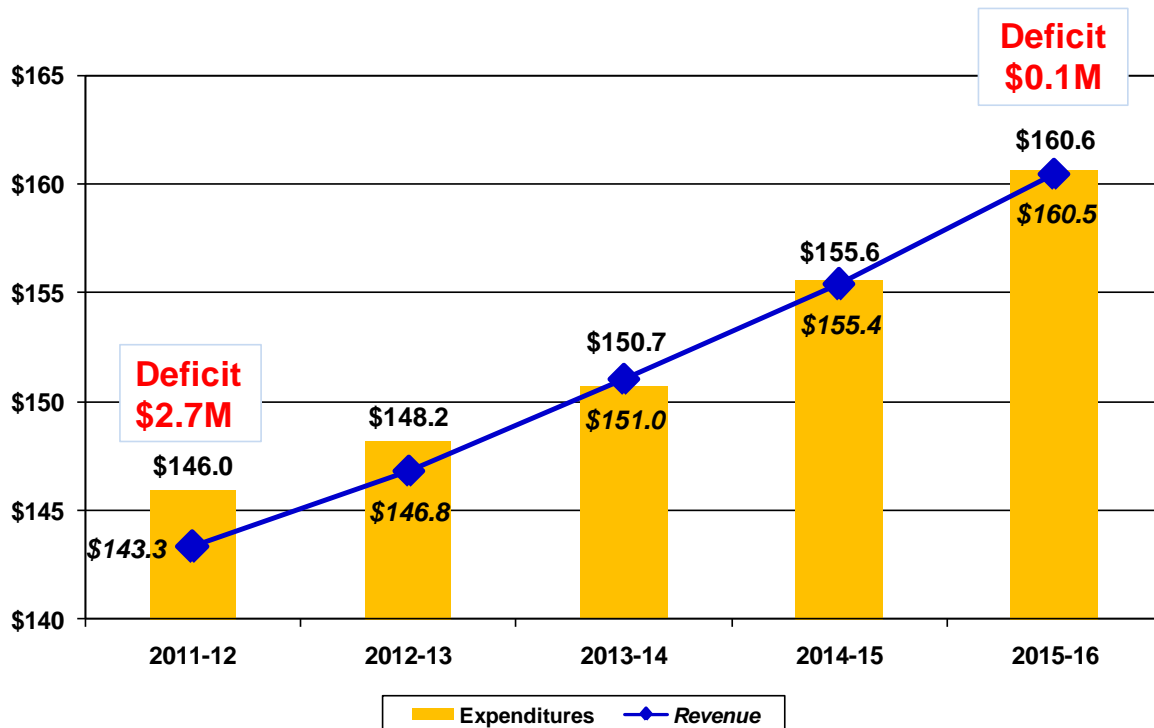
General Fund Five-Year Budget Balancing Plan (Adopted Budget FY 11-12)



** For FY 12-13 through FY 15-16, the graph represents the incremental budget gap amount above the previous year.*

The implementation of the Budget Balancing Plan has helped improve the balance between recurring revenues and recurring expenditures for the 2011-12 Fiscal Year, and will continue to close that gap in future years. From FY 11-12 through FY 15-16, revenues are expected to increase an average of 2.9 percent annually, with costs increasing at 2.4 percent. With a continued recovery from the recession, healthy economic development and active participation from the City's labor groups, we estimate the deficit in year five (FY 2015-16)

will shrink to approximately \$100,000. The next chart illustrates how the Five-Year Budget Balancing Plan has helped align the relationship between recurring revenue and expenditures for the foreseeable future.



INTERNAL SERVICE FUNDS (ISF)

As part of an overall effort to identify ways to reduce General Fund costs for FY 2011-12, staff once again looked at internal service funds during the budget development process. Life cycles and replacement costs were reviewed for all types of City equipment, such as vehicles and computers, to see where savings could be achieved. In addition, cash flows for each of the funds were examined to identify areas where fund balance could be used to help offset rate increases. In some cases, such as the General Liability and Workers Compensation Funds (530-531), moderate increases were unavoidable due to rising costs of unemployment and other insurance policies, along with pending expenses for liability claims. Other funds, however, were able to achieve significant savings.

The Vehicle Equipment Replacement Fund (Fund 532) provided the most significant General Fund savings by deferring nearly \$3.5 million in capital expenses for the replacement of a number of City vehicles. The Office Equipment Replacement Fund (Fund 533) saved nearly \$200,000 when the Fire Department secured grant funds to purchase ten Automatic External Defibrillators scheduled to be replaced in FY 11-12. Lastly, General Fund rental rates for the Computer Equipment Replacement Fund (Fund 537) decreased by over \$25,000 compared to the previous fiscal year.

SPECIAL REVENUE FUNDS

As part of the continued effort to maintain and improve its infrastructure as well as continue a range of programs, the City has several Special Revenue Funds which are administered by various departments. These funds receive dedicated revenues that can only be used for specific purposes, such as grant revenue for Community Development Block Grants (CDBG) or Housing and Urban Development (HUD) funds for affordable housing.

The following highlights some of the special revenue funds which have new appropriations for FY 2011-12:

Fund 107 (Measure R Transportation): This fund provides public improvements through the use of Local Return money generated by a ½ cent sales tax that was approved by the Los Angeles County voters in 2008. Within this fund, \$790,000 has been appropriated for uses and projects that benefit and support local transit services and transportation infrastructure.

Fund 122 (Community Development Block Grant): Community Development Block Grant (CDBG) monies go to fund both public service projects as well as capital projects designed to benefit persons of low to moderate income. For FY 2011-12, there is Public Service Funding totaling \$165,001 for local non-profit groups including the Salvation Army, Burbank Family Service Agency, Burbank Temporary Aid Center, Burbank Unified School District (BUSD) Summer Youth Employment, YMCA Childcare Program, Boys and Girls Club, Burbank Center for the Retarded, Burbank Noon Lions, Library Department Adult Literacy Program, Armenian Relief Society, Kids Community Dental Clinic, and Family Promise Case Management for Homeless Families. In addition, there is Capital Project funding totaling \$715,009 that will assist in funding code enforcement and various public works projects.

Fund 125 (Gas Tax Fund): The City of Burbank appropriated \$750,000 of its allocation of FY 2011-12 Highway Users Tax Act (HUTA) funds for the purpose of resurfacing/reconstructing streets, alleys and sidewalks, as well as the upgrade of traffic signals and the replacement of regulatory and guide signs throughout the City.

Fund 127 (Public Improvements Fund): This program funds public improvements through the receipt of Development Impact Fees. For FY 2011-12, the City Council allocated \$819,000 for the San Fernando Bikeway which will be partially reimbursed by a Metro Call for Projects grant. Additionally, \$100,000 was appropriated for the construction of the Empire Interchange and Buena Vista / San Fernando railroad grade separation included in the Interstate 5 High Occupancy Vehicle project overseen by CalTrans.

Fund 128 (HUD Home Program): A total of \$788,059 was appropriated in this year's HOME fund for Focus Neighborhoods to improve substandard housing in the City.

Fund 129 (Street Lighting): This fund provides for citywide street lighting maintenance through the use of a 1.5 percent electric Utility Users Tax. Approximately \$2.5 million was appropriated this year for street light improvements and maintenance.

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The City of Burbank currently has five Enterprise Funds: Electric, Water, Golf, Water Reclamation & Sewer, and Refuse. Each fund must ensure that its revenues cover operating expenses, including depreciation, of providing goods and services to users/customers. Revenues may be comprised of service charges/fees/sales, interest and other income. The Water Reclamation & Sewer, Refuse, and Water funds all required increases for FY 2011-12, due to increases in costs. In the case of the refuse fund, the increase is in accordance with a multi-year rate plan approved by the City Council in prior years.

Water Reclamation and Sewer Fund: The Public Works Department administers this Fund and its main objective is to operate and maintain the City's Water Reclamation Plant and Industrial Waste Monitoring in compliance with federal, state and local regulations. The Water Reclamation & Sewer Fund's adopted budget reflects an overall sewer rate increase of four percent for FY 2011-12, which equates to a monthly rate increase of \$.84 for the average single family dwelling. The increase is due to increased charges from the City of Los Angeles for sewer treatment services; and labor, chemical, and electrical costs to operate Burbank's wastewater treatment plant that provides recycled water for the City's power plant and landscape irrigation. Subsequent to FY 11-12, the Council adopted a multi-year plan to increase sewer rates annually at either two percent or the Consumer Price Index (CPI) in order to keep up with inflation in future years.

Refuse Collection and Disposal Fund: This Fund is also administered by the Public Works Department. This Fund consists of three programs: Refuse Collection, Refuse Disposal and Recycling. One of the main goals of the Fund is to maintain refuse collection, disposal and recycling fees at a level sufficient to fund operating costs and future capital improvements, while continuing to keep the rates as low as possible to customers. During the FY 2007-08 budget deliberations, the City Council approved a five-year rate smoothing plan to increase refuse rates eight percent per year to ensure the continued economic viability of the City's refuse collection, disposal and recycling operations. In accordance with the fifth year of that plan, the City Council authorized an eight percent rate increase for FY 2011-12, which represents a monthly increase of \$2.19 on a 64 gallon refuse cart. The increase is needed to meet fuel and operational costs in order to continue providing comprehensive refuse services that include household trash disposal, green waste recycling, recyclable collection and processing, and unlimited bulky item pick-up.

Golf Fund: This Fund, administered by the Park, Recreation and Community Services Department, provides sufficient funding to maintain and operate an 18-hole course, a 9-hole par 3 course, a driving range, and a clubhouse. Construction of a new DeBell Golf Clubhouse facility was completed in FY 2008-09 and opened to the public on January 5, 2009. Due to a combination of revenue shortfalls and escalating costs, the Golf Fund ended FY 2010-11 with an operating deficit. In June of 2010, the City Council approved a \$1 million loan from the General Fund to assist the Golf Fund, and formed a special subcommittee to address the fund's financial issues and help bring golf revenues and expenses back into balance.

Electric Fund: Burbank Water and Power (BWP) administers this fund. Electric Fund highlights for FY 2011-12 include the acquisition of renewable energy projects and resources through collaborative efforts with Southern California Public Power Authority (SCPPA); higher coal prices; and the development of a utility Smart Grid to improve outage management, reduce line losses, and expand new customer programs. There will be no electric rate increase for the 2011-12 fiscal year.

The BWP Electric Fund's FY 2011-12 Budget has a total of \$340.2 million in overall appropriations, with operating income of \$5.1 million. The FY 2011-12 CIP budget for the Electric Fund is approximately \$42.9 million.

Water Fund: Also administered by BWP, highlights of the Water Fund for FY 2011-12 include Metropolitan Water District (MWD) rate increases, groundwater replenishment costs, a water rate increase, and continuing the build-out of the Recycled Water System.

The City Council approved a 4.9 percent increase for FY 2011-12 which represents an increase of approximately \$2.32 to the average residential customer. The increase is necessary because of water supply issues and water cost escalation beyond the City's control.

The Water Budget includes total appropriations of \$40.6 million, leaving operating income of approximately \$800,000. The Water Fund CIP Budget for FY 2011-12 totals \$14.2 million.

REDEVELOPMENT AGENCY

Despite the financial restraints imposed on Redevelopment Agencies by the State of California, the Burbank Redevelopment Agency continues its principal aim at rehabilitating and revitalizing blighted and deteriorated areas via various methods of Agency participation. Removal of blight, creation and retention of jobs, infrastructure improvements, and preservation of affordable housing remain the four primary areas of focus for the Agency.

Burbank Merged and Amended Redevelopment Project Area: This Project Area incorporates the Golden State Project Area, City Centre Project Area, and South San Fernando Project Area. During FY 2011-2012, the Agency will focus its efforts on preserving, enhancing, and expanding the economic base of the community. Goals and programs have been established within the City-wide Economic Development Strategy, which includes but is not limited to the City-wide retail campaign called "Shop Burbank" and Team Business, which supports the small business community. With commitment to sustainability as an on-going priority, new collaborations with the Burbank Green Alliance were pursued to add sustainable workshops to the 2011 Team Business curriculum. In addition, the Agency will continue its revitalization efforts within Magnolia Park and Downtown Burbank through its partnership with the Property-Based Business Improvement Districts (P-BIDs).

West Olive Redevelopment Project Area: Within the West Olive Redevelopment Project Area, the Media District Specific Plan has established the framework for development and infrastructure improvements. The focus of this Redevelopment Project Area has been to help implement transportation improvements such as the Johnny Carson Park renovations, and is currently working on plans for the Olive Avenue Streetscape, a proposed project that will enhance one of the City's major corridors.

Low and Moderate Income Housing: The Low and Moderate Income Housing Fund provides funding for the Agency's Affordable Housing Program. The Program implements the activities recommended by the Blue Ribbon Task Force on Affordable Housing, such as the continuation of the Residential Rehabilitation Program, land assemblage for mixed-use and in-fill development, and identification of strategically located distressed residential properties for acquisition and rehabilitation.

HOUSING AUTHORITY

The City's Housing Authority is funded by the United States Department of Housing and Urban Development (HUD), and the use of funds is pursuant to federal government regulations. The Housing Authority will continue to concentrate on expanding housing opportunities for very low-income housing families, avoiding concentrations of assisted housing, and using existing housing stock as affordable housing. This year, over \$8.9 million has been budgeted for housing assistance payments.

PARKING AUTHORITY

The Parking Authority Capital Projects Fund provides for the acquisition, construction, maintenance, and operation of all City-owned or operated public parking facilities within the City of Burbank. Revenue sources include monthly parking permit fees, lease fees, the Downtown Public Facility Maintenance District levy, and various public-private parking agreements within the downtown area. The FY 2011-12 Parking Authority Budget includes a \$67,000 increase to cover increased utility and maintenance costs for The Collection public parking facilities, acquired by the City in FY 2008-09.

STATE BUDGET IMPLICATIONS FOR FY 2011-12 BUDGET

In June 2011 Governor Brown signed an on-time balanced State budget, which includes significant ongoing impacts to local agencies as well as continued use of one time funds. The largest impact is to local redevelopment agencies (RDA). The budget essentially dissolves RDAs while providing cities the option to continue their RDAs if the host jurisdiction enacts a continuation ordinance and remits payments to the State. FY 2011-12 statewide continuation payments total \$1.7 billion and \$400 million in subsequent years. If Burbank wishes its RDA to continue operations, the estimated payment is \$18.6 million in FY 2011-12 and approximately \$4.4 million in subsequent years.

Another State budget impact to Burbank's General Fund is vehicle license fees (VLF). The 2009 State budget included a temporary 0.15% increase in the VLF rate that was used to continue funding certain law enforcement grants and services. That increase expired on June 30, 2011. In order to fund these grants, the FY 2011-12 State budget redirects all locally allocated VLF away from cities. Burbank will lose approximately \$379,600 in VLF revenue. The State budget also includes measures that will trigger mid-year program cuts if revenues do not meet projections. If these cuts are enacted, Burbank will lose approximately \$203,000 in library funding.

The California economy remains unstable as the economy begins to recover and pull itself out of the recession. Unemployment, along with the struggling housing and credit markets will continue to have a negative impact on the State Budget in FY 2011-12 and beyond, putting future City revenues at risk. City staff will continue to monitor the activity related to the State Budget, particularly as economic conditions continue to fluctuate in California and around the nation.

CAPITAL IMPROVEMENT PROJECTS

Although the CIP budget document is developed in conjunction with the operating budget, it is submitted separately in order to provide more detailed information for each of the 181 capital projects taking place within the City of Burbank. The document itself is a cooperative effort among City staff responsible for their respective projects. Major capital improvements can often be complex projects requiring several years of strategic planning, design, funding, and ultimately, construction. The CIP is a five-year program designed to tie the planning of capital improvements to realistic, reliable funding sources to ensure that both planning and implementation of such projects are balanced with available resources. This document includes general Capital Improvement Program information and overview; summaries of projects by category, fund and total; and funding sources by project category. In addition, it provides an information sheet for each capital project listed within each program category.

Of the City's total budget for FY 2011-12, more than ten percent is appropriated for Capital Improvements. The multi-year Capital Improvement Program totals \$383 million,

including FY 2011-12 appropriations of \$78 million and prior years' appropriations of \$218 million.

CITYWIDE DEVELOPMENT HIGHLIGHTS

As always, there are numerous City projects and activities occurring throughout the year. The following highlights a few of the more significant projects that have been completed or are underway throughout the City.

The City is preparing to replace the existing Verdugo Pool with a brand new 50-meter pool in addition to a new activity pool. The project will also include a complete remodel of the existing locker rooms. This renovation will address community needs and reflect current trends and technologies for municipal aquatic facilities. Design of this project is complete and construction is scheduled for completion in Summer 2012.

Burbank "BikeStop" is a 50-capacity bicycle storage facility, which allows members to park their bicycles in a secure and weather-protected location with 24-hour access. This facility was identified as part of the City's Bicycle Master Plan as a Top Priority Project due in large part to the existing demand for secure enclosed bicycle parking at the Downtown Burbank Metrolink station. Funds were secured through a State Bicycle Transportation Account grant to build a fully enclosed bicycle parking facility under the southernmost overhang of the existing station structure. The BikeStop includes 50-bicycle parking spaces and a small multipurpose room that could be used for bicycle safety classes or a bicycle repair facility.

Burbank Water and Power (BWP) has installed 53,000 state-of-the-art electric Smart Grid meters. These new "smart meters" will help to improve service and, over time, will provide the information and tools that gives users better control over energy use. BWP plans to replace the electric meters at all homes and businesses by the end of 2011. Trilliant has been selected to implement the smart metering communications infrastructure for Burbank Water and Power.

In March 2011, construction began on the Keeler/Elliott Homeownership Development, an eight-unit affordable housing development being built in partnership with the Burbank Redevelopment Agency, Habitat for Humanity of Greater Los Angeles, and the Burbank Housing Corporation. This effort includes the construction of seven new townhouse units and the rehabilitation of an existing single family home. The development will provide homeownership opportunities to very-low income families while helping to revitalize and strengthen the Peyton-Grismer Focus Neighborhood. In the spirit of Burbank's Centennial celebration, the rehabilitation of the single family home will be funded by the Centennial House Program through donations raised by Burbank community leaders. This unit will be named "Centennial House" and will forever be associated with Burbank's Centennial. Construction completion is anticipated in Fall 2011.

In May 2011, the Burbank Redevelopment Agency approved an affordable housing agreement with the Burbank Housing Corporation for the acquisition and development of 20 new affordable housing units on North Catalina Street. The property is located between Thornton Avenue and Empire Avenue, on four parcels, totaling 27,000 square feet of site area. The development involves the construction of 20 units, consisting of 16 two-bedroom units and four one-bedroom units housed in 24,000 square feet throughout five, two-story structures. Construction is estimated to commence in October 2011 with completion anticipated in Fall 2012.

INFRASTRUCTURE INVESTMENT PLAN

The Infrastructure Subcommittee, which includes two of the five City Council members as well as key staff from several departments, met regularly during FY 2010-11 and provided direction for infrastructure prioritization. The subcommittee approved the FY 2011-12 infrastructure plan prior to its being reviewed by the City Council.

An overview of the developed infrastructure plan along with funding recommendations was provided to the City Council as part of the budget study sessions, and the Council approved several new and continuing infrastructure projects for FY 2011-12. Some of the more notable appropriations include the San Fernando Bikeway; the I-5 High Occupancy Vehicle Project; Lundigan Park Joint Use Youth Center; street, alley and concrete improvements, and seismic retrofit projects at various City facilities.

Investment in the City's infrastructure continues to be a high priority. Along with this priority is the City's continued effort to invest in capital projects that result in reduced operations and maintenance costs, that leverage projects with non-general funds and/or non-City funds, and to utilize the most restrictive funds prior to less restrictive funds on projects, where feasible.

CITY COUNCIL GOAL SETTING – STRATEGIC PLANNING

On May 5, 2011, the City Council conducted its annual goal setting session to prioritize their top community issues for the upcoming year. The following lists the top issues identified by the Council for the upcoming year.

1. Fiscal Responsibility

- Continue to evaluate programs, services, and department expenditures for cost effectiveness in order to optimize operational efficiency and purchasing power while minimizing service level reductions.
- Pursue a balanced strategic 5-year budget that is mindful of a multi-year revenue/expenditure strategy and one time investments to reduce recurring expenses.
- Continue with Business Process Improvements including joint regional, local and interdepartmental efforts.
- Explore options that facilitate an appropriate reduction in labor costs (i.e. - retirement packages, strategically filling vacancies, suspension of merit pay, paying down pension liabilities, compensation philosophy, etc.).

2. Economic Development

- Continue aggressive efforts to attract and retain retail and commercial businesses.
- Maintain Burbank as a destination of choice.
- Strategically position Burbank as a competitive regional, state and national hub for business and residence through the cultivation of new industries and recruitment and retention of high paying jobs.
- Engage business/property owners and the Chamber on cost-effective ways to bring business to vacancies to maintain a strong and vibrant Burbank.

3. Police Department & City Attorney

- Hire a new City Attorney.
- Implement a comprehensive strategic plan that includes new oversight models.
- Continue to reassess resource deployment to maintain a low crime rate and the City's excellent police safety services.

4. Infrastructure & Transportation

- Continue collaboration efforts with the airport (i.e. – nighttime noise relief, construction of a replacement terminal, etc.).
- Research possibility of a dog park.
- Continue to develop, operate and maintain the City's infrastructure through the utilization of sustainable practices and new technologies.
- Take advantage of the current favorable bidding climate while seeking additional state and federal funding to deliver more infrastructure for less upfront cost.
- Prioritize projects that leverage the City's partnerships with local nonprofits and other governmental entities and that are consistent with the City's long-term infrastructure investment strategy.
- Continue to comprehensively address traffic concerns throughout Burbank by incorporating the following: improve traffic flow at seriously congested intersections, coordinate with major employers to stagger worker departure times (i.e. – Media District), adjust traffic light timing to minimize travel delays, and evaluate traffic impacts when removing existing traffic lanes.
- Continue to explore innovative approaches to providing affordable housing.

5. Communication, Transparency and Community Engagement

- Maintain transparency and accountability by conducting City business in an open manner.
- Improve the accessibility and effectiveness of current Community engagement efforts.
- Promote community dialogue on issues facing the city to keep the public informed (i.e. – HOV improvements and impacts).
- Celebrate our Centennial Year.
- Continue to implement the Communications Strategic Plan.

6. Promote and Facilitate a Healthier Burbank

- Promote community and employee public health, prevention and wellness programs, including increased physical activity and healthy eating.
- Assure preparedness for public health emergencies.
- Raise awareness of health issues, in particular childhood obesity, and available services throughout the community.
- Encourage more physically active means (or modes) of transportation like walking and biking.
- Continue to support and enforce City ordinances that promote healthy lifestyles.
- Integrate healthy living activities/concepts into current City events and programs.

7. Sustainability

- Establish a Sustainability Board or Commission; define role and responsibilities.
- Promote pro-active collaboration between public, private and non-profit sectors of Burbank and surrounding communities to support sustainability efforts.
- Continue to identify ways to make Burbank more environmentally sustainable (i.e. – intercept rain water runoff).
- Focus on sustainability measures that have economic and environmental benefits.
- Incorporate the sustainability theme into the 10 year strategic plan.

These goals become central to the efforts of City staff in all activities of the City. Staff's efforts to carry out Council policy are daily, general efforts. In addition, there are specific efforts to address these goals in various ways.

Fiscal responsibility continues to be a top priority of City staff as we look for ways to address our structural deficit while having minimal impact on City services. The City Manager's office continues to work with City Staff and the City Council to implement recommendations from the Five-Year Budget Balancing Plan.

The Redevelopment Agency continues to develop and support economic development programs which improve local neighborhoods and businesses, create jobs and promote continued revitalization throughout the City of Burbank. One recent example is the recent formation of the Burbank Tourism Based Improvement District (T-BID) which will enhance efforts to promote Burbank as a visitor destination.

The Council approved three new positions for the Burbank Police Department that will provide organizational development opportunities that are in line with the Department's strategic plan. The Management Services Department continues to facilitate the recruitment process for a new City Attorney.

Infrastructure and transportation received continued financial support this year from a variety of sources, including CDBG, Gas Tax, and Los Angeles County Measure R funding, with the intent to positively impact these areas. Additionally, during the budget process, the City Council approved the use of infrastructure reserve funds to accelerate the completion of the sidewalk repair program, which will result in safer sidewalks for our residents.

In conjunction with City departments, the Public Information Office (PIO) continues to utilize a variety of communication methods, including the City's newly transformed website to provide up-to-date information on everything from road closures and crime alerts to City events and commission meetings in order to promote greater transparency and civic involvement. The City's Centennial Celebration campaign will continue throughout 2011, offering community members "100 Ways to Celebrate Burbank."

The FY 2011-12 Budget incorporates several appropriations that promote a "Healthier Burbank," including capital improvements that facilitate the use of bicycles throughout the City, and continued support of the City's Emergency Operations Center, Employee Assistance Program, and citywide Safety programs. As the featured service project of the City's 2011 Centennial Celebration, the City of Burbank and the Burbank Unified School District have joined the nationwide "Lets Move!" initiative that promotes healthy

lifestyles for children. The campaign features a community-wide event on October 1, 2011 at Johnny Carson Park.

The City continues to incorporate sustainability as a component of a variety of projects and programs, focusing on various initiatives to minimize waste streams, enhance reuse and recycled materials, minimize the use of products that are more harmful to the environment, and promote alternatives to single passenger commutes to work.

This budget reflects initial appropriations to address the City Council's goals as outlined above. In addition, Staff will be working over the next year to take other appropriate action(s) to address each of these issues. These major issues help drive the City's annual Work Program which is published as a separate document each fiscal year. The FY 2011-12 Work Program includes over 270 goals and objectives, including several capital improvement projects. The elements of the Work Program are above and beyond the core services to the community that the City provides and part of our continuous improvement efforts. Included with the Annual Work Program and this Budget Document are the departmental Performance Measures. Performance Measures are used by the City to assess how efficiently and effectively programs and activities are provided and determine whether organizational goals are being met. In keeping with the practice of recent years, the Adopted FY 2011-12 Budget closely links the operating and capital expenditure plans with the priorities established by the City Council.

CONCLUSION

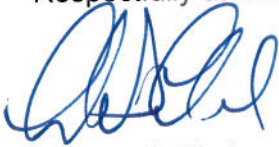
I would like to thank all of those responsible for the successful completion of this year's budget. The adopted budget represents a tremendous amount of work by Department Managers and key members of their staff. Special thanks go to the Financial Services Department Budget Staff, who spent countless hours developing this budget into a single working document. Lastly, I would also like to thank the City Council for their leadership as policymakers throughout the budget process, and for making difficult, yet responsible decisions that will guide this City through uncertain times. I am proud and confident that this year's FY 2011-12 Budget meets the needs of the Burbank community.

This budget development process has been extremely challenging for City officials, staff and our local community. For the second year in a row, the City Council adopted a budget which requires the use of set-aside funds to balance the budget, with the goal in mind of utilizing the next five fiscal years to implement the changes necessary to establish a long-term, sustainable economic plan for the City. Staff has worked diligently to formulate a budget balancing plan which incorporates business process efficiencies, service reductions, revenue enhancements, labor negotiations and the use of one-time funds in order to "right-size" our budget and put the City of Burbank in a position to be at the forefront of economic opportunity as recovery continues to take hold over the next several years.

Of course the work does not end with the adoption of this budget, and the City of Burbank is well prepared to address the difficulties that lie ahead. In the words of Winston Churchill, "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." Like most other municipalities, there are a number of fiscal challenges facing the City Burbank in the years ahead, but I am confident we can rise to the test and use these challenges as an opportunity to find new and better ways to provide the high quality services that meet the needs of this community.

Fortunately for Burbank, we are still in much better financial condition than our neighboring cities both in Los Angeles County and throughout the State. This is largely due to our historically conservative approach to fiscal matters and the solid financial policies adopted by the Council. We have a diverse revenue base, and we continue to make strong efforts in economic development which will help provide fiscal health into the future, and allow us to continue to provide quality municipal programs and services to our residents. Indeed, Burbank has much to celebrate in our 100th year of incorporation, and our Centennial Celebration is just another reason why Burbank is such an exciting place to live, work and play!

Respectfully submitted,



Michael S. Flad
City Manager



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